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Supreme Court, U.S.
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No.

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SUPREME COURT OF THE UNITED STATES

October Term, 1998

PHONOMETRICS, INC.

Petitioner,

vs.

INTERNATIONAL BUSINESS MACHINES,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR WRIT OF CERTIORARI

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THE QUESTIONS PRESENTED FOR REVIEW

1. Was it proper to hold that a patent owner is not entitled to a jury trial unless it can persuade a special master that it is so entitled?

2. Was it proper to award attorney fees under 35 U.S.C. § 285 to IBM in a case where there was no trial, there was no evidence of non-infringement submitted, and there were no exceptional circumstances?

RELATED COMPANIES

Phonometrics, Inc. Petitioner, has no parent or subsidiary companies.

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JURISDICTION

The Judgment of the United States Court of Appeals for the Federal Circuit was dated February 4, 1999 (A-1). A petition for rehearing was denied and a suggestion for a rehearing in banc was declined on April 27, 1999.

This is a patent infringement case brought in the district court under 28 U.S.C. § 1338(a). Appeal to the Federal Circuit was under 28 U.S.C. 1295(a)(1). The jurisdiction of this Court is under 28 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED IN THIS CASE

The Seventh Amendment to the Constitution provides: "In suits at common law, where the value in controversy shall exceed twenty dollars, the right to trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any court of the United States, than according to the rules of the common law."

35 U.S.C. § 271(a) provides that "whoever without authority makes, uses, offers to sell or sells any patented invention, within the United States or imports into the United states any patented invention during the term of the patent therefor, infringes the patent."

STATEMENT OF THE CASE

This is a patent infringement case under 35 U.S.C. § 271(a) involving a patent on equipment that provides cost accounting for long distance telephone calls. One element of the claims of the patent is a display of call cost in dollars and cents. The accused devices sold by IBM have a "60-character, liquid crystal alphanumeric display" that can "give either the elapsed time or cost (your option)" (A-4). The inventor

of the patented invention said in a declaration in this case that he knows of his own personal knowledge that ROLM systems "display cost information during a call" (A-21).

IBM owned a subsidiary called ROLM Systems during the term of the patent, that made and sold call cost accounting systems that had a display of call cost in dollars and cents. ROLM Systems was sold by IBM to a joint venture half owned by IBM and half owned by Siemens Information Systems, Inc. In both instances, ROLM Systems was a going concern, wholly owned by its large parent corporation or joint venture. At all relevant times, ROLM Systems sold the ROLMphone 400. The brochure (A-4) shows that the ROLMphone 400 had the display of call cost in dollars and cents as claimed in the patent.

Phonometrics, the owner of the patent, first contacted IBM regarding whether it infringed the patent. An IBM lawyer assigned to ROLM Systems responded that IBM did not infringe. After IBM sold its interest in the joint venture to Siemens Information Systems, Inc. Phonometrics then sued Siemens and its wholly owned subsidiary ROLM Systems in the Southern District of Florida for patent infringement.

In discovery in the *Siemens* case, Phonometrics learned that the display of call cost in dollars and cents (A-4) was present in the ROLM devices during the period that ROLM Systems was owned by IBM, and that the representation of the IBM lawyer that there was no infringement was not true. Phonometrics sought to amend the complaint against Siemens and ROLM to add IBM as a defendant, but that motion was denied. Phonometrics then sued IBM.

The *Siemens* case, having been filed first, was the first to be decided. Siemens filed four motions for summary judgment under Fed. R. Civ. P. 56(b), on the ground that there was no genuine issue of material fact to be tried. At oral argument on the motions, the district court admitted that he had only read the first of the four motions before

oral argument (A-10), and that he was troubled by separate motions on every issue in the case. At oral argument, the district court stated that "it is getting way too technical with all these issues" (A-10), and that he might appoint "a special master or a court-appointed expert to do this" (A-10). He stated at the hearing that he previously had referred a patent infringement case to a special master. "The problem was that when I got his recommendation, I didn't understand the recommendation, except the bottom line was it didn't infringe." (A-11). He said he wanted "some neutral qualified help" (A-11). When counsel for Phonometrics suggested that a jury was a "neutral peer group", the district court declined. (A-11).

The district court selected, sua sponte, without any input from either party, a retired patent lawyer who was delegated the task of deciding the four summary judgment motions. The special master was also delegated the task of deciding motions in all other pending cases involving the Phonometrics patent. See, *Phonometrics, Inc. v. Northern Telecom, Inc.*, 133 F3d 1459 (Fed. Cir. 1998).

The references to a special master were the rule, even though a "reference to a master shall be the exception and not the rule" Fed. R. Civ. P. 53(b). The special master held no meetings in any of the cases referred to him under Fed. R. Civ. P. 53(d)(1). He heard no witnesses and heard no oral arguments. He decided all motions on the papers filed in the district court, nothing more.

In the *Siemens* case, he held that Siemens had introduced evidence that some of the Siemens equipment "did not and could not display cost information during a call," (A-6) and that finding of fact was quoted by the Federal Circuit in affirming the grant of summary judgment on appeal (A-16). The advertising brochure for the ROLMphone 400 (A-4), showing a display of call cost on the liquid crystal display on the telephone, was disclosed to the special master, and he acknowledged that it was in the record in *Siemens* (A-8). The special master did not rely upon the ROLMphone 400 brochure (A-4)

for his findings of fact. Instead, he relied upon the admission of counsel in the transcript of the oral argument before the district court on the motion for summary judgment (A-7). That transcript shows that counsel for Siemens "admit[s] we sell a system that has a display" (A-11), and the display was on "a display phone that was sold during the relevant time period (A-12). There can be no doubt that Siemens had a display that showed cumulative call cost in dollars and cents, according to the special master.

The special master made findings of fact and conclusions of law under Fed.R.Civ.P. 53(e)(1), and recommended that summary judgment be granted (A-13). Phonometrics objected to the report as not complying with Rule 53(e)(3) in the jury case. The special master was "directed to report the evidence" even though expressly prohibited from doing so in a jury case. The district court adopted the report and recommendations of the special master "in full" (A-14) and granted the Siemens motions on non-infringement and denied the motion for summary judgment of invalidity as moot.

Phonometrics at every level asserted its right to a jury trial under the Seventh Amendment. It was denied its day in court before an Article 3 federal judge, and had its rights determined by a special master who heard no oral argument, no witnesses, and no evidence other that conclusory declarations that were not subject to cross-examination. On the issue of infringement, he decided that the accused devices did not infringe, even though they did provide cost information. There was no dispute that the ROLMphone 400 had the display of cost information (A-4). Summary judgment on the basic issue of infringement was improper because there were other issues of fact to be decided, but not the issue of a display of call cost.

Phonometrics appealed the *Siemens* case to the Federal Circuit. The Federal Circuit affirmed, stating that "Siemens introduced evidence that the accused peripheral systems did not and could not provide cost information about calls while the calls were in progress" (A-16). No

record citation is given as to what evidence the Federal Circuit had in mind. The record was precisely to the contrary; that Siemens admitted that it had a display of call cost information while the calls were in progress(A-11). However, the Federal Circuit ignored the admission (A-12) and it ignored the ROLMphone 400 (A-4) showing that *Siemens* did indeed display call cost.

The Petition for Writ of Certiorari to this Court was filed one day late, and this Court refused to consider it, denying the motion to file the Petition out of time by one day.

In the present IBM case, IBM filed a motion to dismiss the complaint on the ground that the *Siemens* decision by the district court was res judicata. The district court granted the motion to dismiss (A-27), and awarded IBM its attorney fees under 35 U.S.C. § 285 (A-27). Phonometrics appealed to the Federal Circuit in *IBM I*, which reversed both the dismissal and the award of attorney fees in an unpublished decision (A-18). At the time of *IBM I*, the *Siemens* case had not been decided by the Federal Circuit. That court was reluctant to dismiss the original complaint in *IBM I* if there was a possibility the district court was in error in its holding in *Siemens*.

When the case came back to the district court from the Federal Circuit with the order in favor of IBM vacated, IBM filed an answer and simultaneously a motion for summary judgment. There were no supporting affidavits by IBM of any kind in support of the motion. There was no record at all showing that IBM had the same evidence that Siemens had introduced proving non-infringement. Siemens had depositions and declarations from many witnesses. The Siemens lawyer had argued in the district court that "Siemens purchased the assets of IBM's Rolm Division which created an issue as to a separate set of devices" (A-11). In other words, according to Siemens, its devices were different from those of IBM. IBM made no effort to establish that the IBM devices were the same as the Siemens devices. There was

absolutely no evidence that the issue decided in the *Siemens* case was the issue to be decided in the *IBM* case.

In opposition to the motion for summary judgment, Phonometrics submitted a declaration (A- 21) that showed that IBM had the ROLMphone 400 with a display phone that provided cost information to the caller. Because *Siemens* expressly found that the Siemens devices "did not and could not provide cost information," (A-16), there could not have been a finding that the issue in *Siemens* was the same issue to be determined here. IBM never responded to this evidentiary fact that was genuinely in dispute.

The district judge again granted the IBM motion and again awarded attorney fees against Phonometrics (A-27), without making any findings as to why the case is exceptional under 35 U.S.C. § 285. Phonometrics appealed again to the Federal Circuit. The Federal Circuit affirmed the district court without opinion (A-1).

A petition for rehearing with a suggestion for rehearing in banc was filed by Phonometrics, which was denied April 27, 1999 (A-2).

SUMMARY OF ARGUMENT

A special master should not be the rule in every case involving the Phonometrics patent. A special master should not be permitted to report the evidence in a jury case. Adopting the special master's findings of fact by the district court and the Federal Circuit was a denial of the Seventh Amendment right to trial by jury.

The doctrine of res judicata does not apply where the issue presented in the later case differs from the issue in the earlier case. The *Siemens* case was decided on summary judgment because the district court and the Federal Circuit found no triable issues of fact on whether Siemens infringed the patent. The *IBM* case presented the issue of whether IBM sold devices with a display of call cost in dollars and

cents, an issue that the special master had found was admitted to be present in the Siemens devices, but the Federal Circuit held that such a display was not present in Siemens devices.

An award of attorney fees must be based upon exceptional circumstances. There was nothing exceptional in this case. There was no trial with vexatious litigation tactics; no inequitable conduct in prosecuting the patent application that became the patent in suit; and no bad faith shown. The award of attorney fees is unjust.

ARGUMENT

1. THE SEVENTH AMENDMENT RIGHT TO TRIAL BY JURY HAS BEEN DENIED

Fed. R. Civ. P. 38(a) states that the "right of trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of the United States shall be preserved to the parties inviolate." However, the particular judge to whom all of the dozens of Phonometrics cases have been assigned by the Judicial Panel on Multi-District Litigation has resolutely denied the Constitutional right of Phonometrics to a jury trial. He has stated that he does not understand the technology (A-10,11). Presumably, he believes a jury would be even less qualified to determine the facts than he is.

Instead of preparing the cases for trial by jury through "coordinated or consolidated pretrial proceedings," as required by Rule 11(a) of the Rules of Procedure of the Judicial Panel on Multidistrict Litigation, the district judge has referred all of them to the same special master selected by the district court judge with no input from any party or lawyer for a party. The special master appointment was for the purpose of depriving Phonometrics of its Constitutional right to trial by jury, substituting summary adjudication by a non-judicial officer who has not even taken an oath of office. It was a direct violation of Rule 53(b): "A reference to a master shall be the exception and not the rule."

For Phonometrics, the rule has been an appointment of a special master and a denial of the right to a jury trial. That rule is erroneous, and the case should be reversed and remanded for jury trial.

Moreover, the special master was directed to report the evidence in each case, which is barred by Rule 53(e)(3). The Federal Circuit said in *Siemens* that it was a proper procedure in a jury case to first try the fact issues to a special master for a decision. Only if the special master decides that there is a material fact for the jury may there be a jury trial. The Federal Circuit said in *Siemens* "[t]he distinction between jury and non-jury cases set forth in Rule 53(e) does not become relevant, however, until a plaintiff establishes that he is entitled to a jury trial" (A-17). The Constitution and Fed. R. Civ. P. 38 do not require a first trial before a special master to determine whether a plaintiff is entitled to a jury trial.

Rather, a plaintiff is entitled to a jury trial if he demands it. Summary judgment can only take away the right to a jury trial if the moving party can prove that there is no issue of fact to be tried. Infringement of a patent is a fact to be tried to a jury. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 116 S.Ct. 1384 (1996). The case of *Constant v. Advanced Micro-Devices, Inc.*, 848 F. 2d 1560 (Fed Cir. 1988), relied upon by the Federal Circuit (A-17), does not recognize the distinction between construction of a patent, an issue of law for the court to decide, and infringement, an issue of fact for the jury to decide. That essential teaching of *Markman* was wholly ignored by the Federal Circuit in both *Siemens* and *IBM II*.

There were numerous disputed facts in the special master's Report and in the *Siemens* opinion. Did the accused devices have a display of call cost (A-4)? Did they have reset means, whereby the timer measuring the duration of the call is set to zero before measuring the duration of a new telephone call (A-16)? Did Phonometrics "fail[] to controvert that evidence" of non-infringement (A-16)? Did "Kenneth Casner, its own expert witness, acknowledge[] those relevant operational

limitations of the accused devices (*id*)? If they did not have exactly the same means disclosed in the patent, did the accused devices infringe "under the doctrine of equivalents" (A-16)? All of these disputed fact issues were decided adversely to Phonometrics by the special master, by the district court, and by the Federal Circuit in *Siemens* and in this case without a jury having ever been impaneled to consider the fact issue of infringement.

It is not the place for a special master, or a district court judge, sitting without jury, or the Federal Circuit to weigh the evidence of infringement. That is the function of the jury, whose province was violated without due process of law. That was a violation of the Seventh Amendment right to a jury trial.

By affirming without opinion, the Federal Circuit here has failed to acknowledge the mistake of fact it made in *Siemens* regarding the presence of a display phone that showed the cost of a call in progress (A-4). It there held that the evidence considered by the special master did not show "cost information about calls while the calls were in progress" (A-16). Here, the Federal Circuit not only failed to acknowledge its prior mistake, it repeated it by affirming without opinion.

If Phonometrics "failed to controvert that evidence" (A-16) in Siemens, it clearly did so in *IBM II*. The Reich declaration clearly shows that IBM had displays of call cost while the calls were in progress (A-21/22). Thus, this case differs from *Siemens*, and there is a genuine issue of material fact for trial. The Federal Circuit never even acknowledged the admitted fact that Siemens devices had the ROLMphone 400 (A-7). The Federal Circuit here never acknowledged the proven fact that IBM had the ROLMphone 400. IBM never even tried to prove that it did not have the ROLMphone 400, because it knew that it was not the truth.

IBM never falsely pleaded that it did not sell the ROLMphone 400. It simply tried to ride the coattails of the deceit of the Federal Circuit perpetrated by Siemens, the defendant that did plead that it did not have a display of call cost in dollar and cents. Riding the coattails of one who perpetrates a deceit on the Court does not make the false statement true by reason of the doctrine of res judicata.

Instead of seeking the truth and substantial justice, both Siemens and IBM have forced the Federal Circuit to ignore the key evidence that disproves the claim that neither had a display of call cost in dollars and cents. This Court should remand the case to the Federal Circuit for a determination, preferably by a jury trial, of whether IBM sold the ROLMphone 400 or any other devices that display call cost in dollars and cents. A monitor of a personal computer is a display. If it shows call cost in dollars and cents, it can meet that element of the claims. A printer that displays "substantially instantaneously" the cost of a long distance call is also a display within the contemplation of the patent.

The district court and the Federal Circuit are afraid to allow juries to decide the facts in infringement cases. It is ironic that modern courts are reluctant to allow a practice that has endured for over two centuries in this country *Markman, supra*. But it has always been the province of the jury to weigh the evidence and the credibility of witnesses. Taking portions of depositions (A-6) and declarations of employees of Siemens, that were not subject to cross-examination (A-6) in order to decide the facts of this case, is not just. Had any of the Siemens employees who filed declarations ever been cross-examined about the ROLMphone 400 (A-4), they would certainly have admitted that it had a display of call cost in dollars and cents. The refusal to permit a trial, with live witnesses whose demeanor may be observed, and who may be cross-examined, is the essence of our system of justice. The Federal Circuit has short-circuited that system at least twice, in *Siemens* and in *IBM II*.

The Federal Circuit in *Siemens* (and in other cases brought by Phonometrics against alleged infringers) has denied the right to a jury trial on the basis of circular reasoning. It stated (A-17) that the "distinction between jury and non-jury cases set forth in Rule 53(e) does not become relevant, however, until a plaintiff establishes that he is entitled to a jury trial. It is well recognized that there is no right to a jury trial where there are no issues of fact to be tried by a jury."

The problem with this reasoning is that the issue of infringement is an issue of fact, to be tried to a jury *Markman v. Westview Instruments, Inc.* It is the pleadings that frame the issues to be tried, not the motions for summary judgment. Fed. R. Civ. P. 7(a) provides that "[t]here shall be a complaint and an answer," in a case like this one, and "[n]o other pleading shall be allowed." Phonometrics complained of patent infringement and IBM answered, framing the issue of infringement of the patent, which is to be "tried to a jury, as their predecessors were more than two centuries ago. See, e.g. *Bramah v. Hard Castle*, 1 Carp. P.C. (K.B. 1789);" *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

Fed. R. Civ. P. 53(b) specifies that a "reference to a special master shall be the exception, and not the rule." The federal Circuit has made the rule of the special master, as modified by the Federal Circuit to ignore the ROLMphone 400 display of call cost, the rule in this case. The rule in all Phonometrics cases has been to refer them to a special master, then hold that the earlier holdings are res judicata as to the later cases.

Rule 53(b) goes on to say that "In actions to be tried to a jury, a reference shall be made only when the issues are complicated." It is undisputed that the issues were complicated, but this is *not* a basis for denying the right to a jury trial. Rather, it expressly contemplates that fact issues will be tried to the jury, and not to the special master. The Federal Circuit has it wrong in holding that there has to be a first mini-trial to a special master in which the "plaintiff establishes that he is

entitled to a jury trial" (A-17). The plaintiff here established his right to a jury trial by demanding it under Fed.R.Civ.P. 38(b). In such a case as this, the "trial of all issues so demanded shall be by jury" Fed. R. Civ. P. 39(a). That includes the issue of infringement of the patent, as well as the subsidiary issues of whether IBM has a display of call cost, has a reset means to return the timer to zero before timing the next call, and all of the other elements of the claims. It is *not* for the special master, the district court, or the Federal Circuit to determine these facts in the first instance. It is for the jury to determine these facts in the first instance. The special master may help, if the matter is "complicated," and the district court may instruct on the applicable law, and the Federal Circuit may review the jury findings of fact for "substantial evidence to support the findings. But none of them has the right to deny the right to a jury trial, which is "reserved to the parties inviolate" Fed. R. Civ. P. 38(a).

Rule 53(e) becomes relevant at the time of reference to a special master, not *after* "a plaintiff establishes that he is entitled to a jury trial," as the Federal Circuit believes. Rule 53(e)(1) provides that the report of the special master, "if required to make findings of fact and conclusions of law, the master shall set them forth in the report." This is analogous to Rule 52(a), which is limited to "actions tried upon the facts without a jury."

Rule 53 (e)(2) provides that in a non-jury case, the district court shall give the findings of the special master the same deference as the findings of the court under Rule 52(a). But that is not this case and was not the *Siemens* case. These cases were jury cases, and Rule 53(e)(3) governs: "In an action to be tried to a jury the master shall not be directed to report the evidence. The master's findings upon the issues submitted to the master ate admissible as evidence of the matters found and may be read to the jury, subject to the ruling of the court upon any objections in point of law which may be made to the report."

This is not a grant to the special master of the right to determine whether Phonometrics has established "that he is entitled to a jury trial"

(A-17). The special master usurped the right to a jury trial by *deciding* the facts of the case. The district court "affirmed" that delegated decision made by the master (A-14), and the Federal Circuit affirmed the finding of fact that the patent was not infringed, even though it failed to affirm the fact that Siemens had admitted that it sold display phone providing cost information during the relevant period. The Federal Circuit simply ignored that subsidiary fact (A-4) and held that Siemens "did not and could not" infringe the patent (A-16).

Rule 53(e)(3) is relevant to any case where a jury trial has been demanded. It is not relevant only after the special master has decided the facts and concluded that there is no need for a jury trial. The special master lacks the power to decide any facts in a jury case, and his report may simply be read to the jury as evidence, nothing more. It was error for the Federal Circuit to find that there is no right to a jury trial where the special master has decided that there is no infringement. It is circular to reason that there is no right to a jury trial if the special master has decided the facts to be presented to the jury.

The Seventh Amendment right has been violated.

2. RES JUDICATA DOES NOT APPLY IF THE LATER CASE HAS A DIFFERENT ISSUE FROM THE PRIOR CASE

In patent cases, this Court set forth in *Blonder-Tongue Labs. v. Univ. of Illinois Foundation*, 402 U.S. 33 (1971) the principle that a prior holding that a patent is invalid should ordinarily preclude relitigation of that issue in a later case. Predictability was a reason, and the Court quoted with approval the recommendation of the President's Commission on the Patent System: "A final federal judicial determination declaring a patent claim invalid shall be in rem."

Three questions were posed in *Blonder-Tongue* for determining whether res judicata should apply: "Was the issue decided in the prior

adjudication identical with the one presented in the action in question? Was there a final judgment on the merits? Was the party against whom the plea is asserted a party or in privity with a party to the prior adjudication?" It is the first question that concerns us here.

Intellicall, Inc. v. Phonometrics, Inc., 952 F2d 1384 (Fed. Cir. 1992), the first case involving the Phonometrics' patent, involved a pay phone where the display was of time remaining for the money deposited in the phone. It did not display cumulative call cost in dollars and cents, as the claims of the patent require. Therefore, the issue in that case cannot preclude determination of whether the ROLMphone 400 displays cost information. *Intellicall* cannot be res judicata in the present case.

Nor can *Siemens* be res judicata here, because that case expressly held that the Siemens devices "did not and could not provide cost information" (A-16). The present record shows (A-3) that IBM devices "give either the elapsed time or cost (your option) of outgoing calls." IBM never denied the fact that the ROLMphone 400 provides cost information. It is a fact that precludes summary judgment, because it was placed in issue in this case by declaration of the inventor who had personal knowledge of the facts (A-55).

Res Judicata cannot apply to the *Siemens* case because the issue there decided was that the Siemens devices did not provide cost information, an issue different than the one presented here, namely, do IBM devices provide cost information? The case should be remanded for a jury trial of that issue.

3. ATTORNEY FEES ARE NOT JUSTIFIED

35 U.S.C. § 285 requires a court find a case is "exceptional" before it may award attorney fees. *Cambridge Products, Ltd. v. Penn Nutrients, Inc.*, 962 F. 2d 1048, 1050 (Fed. Cir. 1992) said that "the exceptional nature of the case must be established by clear and convincing evidence."

The Federal Circuit affirmed without opinion (A-1), so it must have found the findings of the district court adequate to establish that this is an "exceptional" case under Section 285. However, the district court only said that "IBM's request for an award of attorney's fees incurred in filing this motion is hereby **GRANTED**" (A-8, emphasis present). That is not clear and convincing *evidence* that the case is exceptional. Phonometrics has a good faith belief that the IBM equipment infringes, even though the district court and the Federal Circuit do not agree. That does not make Phonometrics good faith into bad faith. There is no clear and convincing *evidence* of bad faith or vexatious litigation tactics to support a finding of exceptional circumstances.

The purpose of Section 285 is "to provide discretion where it would be *grossly unjust* that the winner be left to bear the burden of his own counsel which prevailing litigants normally bear" *J. P. Stevens Co. Inc. v. Lex Tex Ltd. Inc.*, 822 F. 2d 1047, 1052 (Fed. Cir. 1987) (emphasis present). The American Rule is that the prevailing party normally bears the burden of his own counsel, and the exception of Section 285 is where the winner must prove that it would be grossly unjust to do so. IBM failed to prove anything more than victory on its summary judgment motion. It did not prove that it would be grossly unjust to bear the burden of its attorney fees.

Moreover, the case law is based upon the legislative history of the statute. When § 285 was enacted, Senate Report No. 1503, 79th Congress, 2d Sess. (1946) said that "[i]t is not contemplated that the

recovery of attorney fees will become an ordinary thing in patent suits." The district court awarded attorney fees to IBM in *IBM I*, the motion to dismiss on the ground of res judicata. That award of attorney fees was vacated when the matter was remanded to the district court for trial (A-20). This time, however, the Federal Circuit did not even indicate what the exceptional circumstances were that resulted in the opposite result. If the circumstances were not exceptional when the identical issue was raised in *IBM I*, how did they become exceptional in *IBM II*? At the very least, the case should be remanded for an evidentiary showing of the exceptional circumstances that require a holding of res judicata to be reversed in *IBM I*, yet the identical holding is affirmed without opinion in *IBM II*. Even if Phonometrics is wrong on the law of res judicata, that is not an "exceptional" circumstance that justifies an award of the attorney fees that were charged to IBM against Phonometrics. The award of attorney fees (A-27) for making knowingly untrue arguments is clear error. An award of attorney fees is supposed to be after a trial on the merits, where the court may assess the circumstances of the case to determine if they are "exceptional" under 35 U.S.C. § 285. Here, the award of attorney fees was made after a motion for summary judgment was filed along with an answer, and the motion was granted under the doctrine of res judicata. How can that be an "exceptional" case justifying attorney fees? The Federal Circuit, in affirming without opinion, never even considered the circumstances that had to be established by clear and convincing evidence. No evidence of exceptional circumstances was ever offered by IBM, because there is none. The award of attorney fees in this case is, by itself, sufficient basis for granting this Writ because it is contrary to the requirement for "exceptional circumstances."

CONCLUSION

The petition for a writ of certiorari should be granted. The case should be remanded to the Federal Circuit for further proceedings. It is unjust to hold that a special master may decide that Phonometrics is not entitled to a jury trial on the issue of infringement. It is unjust to hold that a prior determination that different devices do not infringe the Phonometrics patent bars litigation of whether IBM devices infringe. It is unjust to award attorney fees against Phonometrics simply because Phonometrics in good faith believed that IBM infringes.

Respectfully submitted,

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Attorneys for Petitioner,
PHONOMETRICS, INC.

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United States Court of Appeals for the Federal Circuit
98-1449

PHONOMETRICS, INC.,
Plaintiff-Appellant,

v.

INTERNATIONAL BUSINESS MACHINES,
Defendant-Appellee.

Judgment
ON APPEAL from the United States District Court for the Southern District of Florida in CASE NO. 96-CV-8290

This CAUSE having been heard and considered, it is ORDERED and ADJUDGED:
Per Curiam (Michel, Circuit Judge, Skelton, Senior Circuit Judge, and Bryson, Circuit Judge):

AFFIRMED. *See* Fed. Cir. R. 36.

FILED
U.S. COURT OF APPEALS FOR
THE FEDERAL CIRCUIT
FEB 4 1999 ENTERED BY ORDER OF THE COURT
JAN HORBALY
CLERK
DATED FEB 4 1999

JAN HORBALY, CLERK

ISSUED AS A MANDATE: FEBRUARY 25, 1999

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ORDER

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the APPELLANT, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate has already issued.

Circuit Judge GAJARSA did not participate in the vote.

FOR THE COURT
/s/ Jan Horbaly
Jan Horbaly
Clerk

Dated: April 27, 1999

FILED
U.S. COURT OF APPEALS FOR
THE FEDERAL CIRCUIT
APR 27 1999
Jan Horbaly
Clerk

cc: John P. Sutton
Howard Weber

PHONOMETRICS V IBM, 98-1449
(DCT – 96-CV-8290)

Note: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public record.

A-4

[excerpt of advertising brochure copyright 1983]
ROLMphone 400

* * *

In addition, to help keep visual track
of telephone functions, the ROLMphone 400
has a 60-character, liquid crystal
alphanumeric display.

The display not only can show
the origin of internal calls by the
caller's name and **extension**
number (including whether or
not the call was forwarded), it can also give
either the **elapsed time** or **cost** (your option) of
outgoing calls. The phone will even display "call me" messages
from other extensions.

[excerpt from special master report in *Siemens* case]

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

Special Master James M. Wetzel
Case No. 93-6733-CIV-RYSKAMP

PHONOMETRICS, INC.
a Florida Corporation,

Plaintiff,

v.

SIEMENS INFORMATION SYSTEMS,
INC., a Delaware Corporation,
SIEMENS CORPORATION, SIEMENS
COMMUNICATIONS SYSTEMS, INC.
SIEMENS STROMBERG CARLSON,
ROLM SYSTEMS, ROLM COMPANY
TEL PLUS COMMUNICATIONS, INC.
AND SIEMENS CREDIT CORPORATION,

Defendants.
_____/

REPORT AND RECOMMENDATION OF SPECIAL MASTER
On
DEFENDANTS ' MOTION FOR SUMMARY JUDGMENT OF
CLAIM INTERPRETATION AND OF NON-INFRINGEMENT
BY PERIPHERAL SYSTEM

And
DEFENDANTS' MOTION FOR SUMMARY JUDGMENT OF CLAIM INTERPRETATION AND OF NON-INFRINGEMENT BY INTEGRATED CMR SYSTEM

* * *

[EXCERPT FROM PAGE 13 OF REPORT OF SPECIAL MASTER]

In support of the Motion for Summary Judgment of Non-Infringement the Defendants have produced the Declarations of James Cotrill, Ronald W. Raffensperger, John L. Fiske, portions of the deposition of plaintiff's expert Kenneth Casner, the preliminary report of the Plaintiff's expert Kenneth H. Casner, and portions of the Plaintiff's co-inventor Lawrence Reich. In opposition the Plaintiff furnished only a copy of the '463 patent, advertising literature for third party manufacturers of telephone cost management software, selected portions of the file history of the '463 patent and copies of the Defendants' Answer and Counterclaim.

Phonometrics does not controvert the discussion of the accused peripheral systems set forth by the Defendants' affiants. Accordingly, the facts set forth below are properly based upon the structural description of the accused products as set forth by the defendants' affiants and the admissions of the Plaintiff's expert and co-inventor.

The declarations of the Defendants' affiants Cottrill, Raffensperger and Fiske provide evidence that peripheral systems using Siemens and Rolm PBXs could not and did not display cost information during a call (element D), and did not include reset means (element F), initial cost transfer means (element G) and incremental cost transfer means (element H).

Further, the Plaintiff's own expert Mr. Casner who was familiar with the Defendants' accused systems, admitted in his deposition that he was not aware of any peripheral system using the defendants' PBXs that displayed any information on a call until after the call was over. Thus the accused system does not comply with the requirements of element D.

[excerpt from page 14 of special master report]

Phonometrics accuses the Defendants' Integrated CMR System with direct infringement of the '463 patent.

The Defendants' combined PBX and CAS integrated system also includes CBX Management Reporter ("CMR") software; hence, it is referred to as the "Integrated CMR System". In one application, the Integrated CMR System can be used in conjunction with a digital display telephone to give a time or cost reading at the telephone during the course of a call originating from that telephone and routed through the PBX. It is that combination of the Integrated CMR System with the digital display telephone which the Plaintiff accuses as having been an infringement.

The Defendants admit that they sold Integrated CMR Systems including digital display telephones that could tell the cost of a call (Transcript P. 54, ll. 7-12). However, the Defendants deny that the combination includes all of the elements of Claim 1 and assert, therefore, that the combination is not an infringement.

The inquiry here is limited to whether the Defendants' accused Integrated CMR System includes all of the limitations of Claim 1.

In support of its Motion for Claim Interpretation and Non-Infringement, the Defendants have provided the Declaration of Ronald W. Raffensperger, a portion of the deposition of Mr. Raffensperger given in this case on January 16, 1995, and a portion of the deposition of Phonometric's expert Kenneth Casner

given on May 17, 1995. In opposition to the motion, Phonometrics has furnished a copy of brochure on the "ROLMphone 400", and a portion of the ROLM "CBX Defining and Coding Manual", a copy of the '463 patent and portions of its file history.

[Excerpts of hearing transcript dated January 18, 1996, before the District Court, including the transcript of page 54, referred to by the special master at A-7]

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
NORTHERN DIVISION

PHONOMETRICS, INC.,	) Docket No.
Plaintiff,	) 93-6733-CIV-RYSKAMP
	)
v.	) West Palm Beach, FL
	) January 18, 1996
SIEMENS INFORMATION SYSTEMS,	) 9:00 a.m.
	)
	)
Defendant.	)
	)

TRANSCRIPT OF HEARING
BEFORE THE HONORABLE KENNETH L. RYSKAMP

APPEARANCES:

For the Plaintiff: JOHN P. SUTTON, ESQ
LANCE D. REICH, ESQ.

For the Defendant: ROBERT M. CHIAVOELLO, JR., ESQ.
ANTHONY E. PETERMAN. ESQ.
JOSEPH S. CODISPOTI, ESQ.

* * *

[pages 2-3]

THE COURT: This case was recently transferred to me after all the motions had been filed. Frankly, I am somewhat at a disadvantage because I knew that there was a defendants motion for summary judgment. I picked up the first one and studied it. I didn't realize you had filed summary judgment motions on every issue, and I think it is a violation of the rules. I mean, there should be a limitation as to how many pages. We have a page limitation and just to file a separate motion on every issue to get around the page limitation I don't think is proper. I figured the rest of the pile were exhibits, not separate motions for summary judgment as to every issue.

The only one that I am familiar with at this time is the motion for summary judgment that deals with the IBM prior liability and the related issue of literal or violation by equivalence.

Just this morning, I thought the rest of this was all exhibits and they have all separate motions for summary judgment. You know, this is enough to discourage anybody, to say on summary judgment you are going to have to read all of this material?

Well, in fact it more less pushes me to the conclusion that I ought to have a special master or a court-appointed expert to do this because it is just getting way too technical with all these issues.

I don't know, did Judge Davis allow this procedure?

MR. CHIAVIELLO: Judge, if I may, our intent with filing separate summary judgment motions was simply to identify the separate issues.

THE COURT: You had two issues in the one I read. They are two totally unrelated issues, one dealing with IBM and the one the violation of the equivalence doctrine.

MR. CHIAVIELLO: The issue here your Honor, had to do with a specific set of equipment.

We are a little bit different than maybe the Northern Telecom case that your honor is more familiar with in the sense that Siemens purchased the assets of IBM's ROLM Division, which created an issue as to a separate set of devices. These are the Integrated CMR devices.

[excerpt from page 9]

THE COURT: I know I had a case involving a very complicated electrical relay system, which I appointed a special master to evaluate the claims and make a recommendation. The problem was that when I got his recommendation, I didn't understand the recommendation, except the bottom line was it didn't infringe.

It may be that that would be the way to go here, because the more I read this stuff, I'm not a telecommunications expert. It seems to me we need some neutral qualified help in resolving maybe the validity of the patent and that will go a long way in resolving some of this.

MR. SUTTON: The Seventh Amendment allows us to have the jury be the neutral peer group to make the decision on this.

[page 54 of transcript]

MR. CHIAVIELLO: He [Mr. Sutton, counsel for Phonometrics] showed you a sheet out of our advertising [A-??] and used that as a basis for saying based on this one sheet out of an advertisement for a particular system, that establishes infringement. That's ludicrous.

We have broken down our systems that he accuses us of arbitrarily breaking down because we admit that we sell a system that has a display and we sell a system that in some instances, and in the configuration there is nine integrated systems we sold,

can show a user what the cost of the call is. Alternatively, time. Time or cost.

Our position is our system works differently from the way their claim is –

THE COURT: This system that he was showing to us, was that sold during the period of time, is that one of the nine units or is this something that's been developed afterward, after the patent expired?

MR. CHIAVIELLO: No, that was a display phone that was sold during the relevant time."

[SIEMENS ORDER AFFIRMING MAGISTRATE'S REPORT]

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
Case No. 93-6733-CIV-RYSKAMP

PHONOMETRICS,

Plaintiff,

vs.

SIEMENS INFORMATION SYSTEMS, INC., et al,

Defendants.
_____/

CASE CLOSED

FILED JUL 03, 1996
CARLOS JUENKE
CLERK OF DIST. CT.
S.D. OF FLA-W.P.B.

ORDER AFFIRMING MAGISTRATE'S REPORT AND RECOMMENDATION AND GRANTING FINAL SUMMARY JUDGMENT IN FAVOR OF DEFENDANTS

* * *

[EXCERPT FROM PAGE 4]

The Court has reviewed the entire file and record herein, and being otherwise fully advised in the premises, it is

ORDERED AND ADJUDGED that the Report and Recommendation of Special Master James M. Wetzel be, and the same is, hereby

RATIFIED, AFFIRMED AND APPROVED in its entirety. The Report and Recommendation is adopted by this Court in full, and this

1) defendants Motion for Summary Judgment of Claim Interpretation and Non-Infringement of Peripheral Systems (DE 56) is hereby **GRANTED**;

2) defendants' Motion for Summary Judgment of No Successor Liability, of Claim Interpretation, and of Non-Infringement By Defendants' Integrated CMR System, (DE 61), is hereby **GRANTED**;

3) defendants' Motion for Summary Judgment of Invalidity of U.S. Patent (DE 53) is **DENIED** as moot; and

4) defendants' Motion for Summary Judgment of Exceptional Status (DE 59) is **DENIED** as moot.

The Clerk of the Court shall Close this case and DENY all pending Motions as MOOT.

DONE AND ORDERED in Chambers at West Palm Beach, Florida, this 3 day of July, 1996.

/s/_____
KENNETH L. RYSKAMP
UNITED STATES DISTRICT JUDGE

[EXCERPT OF DECISION OF THE FEDERAL CIRCUIT DATED JANUARY 23, 1998 IN SIEMENS CASE]

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT
96-1495-1496
PHONOMETRICS, INC.,
Plaintiff-Appellant,
v.
SIEMENS INFORMATION SYSTEMS, INC.
and ROLM SYSTEMS
Defendants/Cross-Appellants.

DECIDED: January 23, 1998

Before MICHEL, CLEVENGER, and BRYSON, Circuit Judges.

BRYSON, Circuit Judge.

DECISION

Phonometrics, Inc. sued Siemens Information Systems, Inc. and Rolm Systems (collectively "Siemens") for infringement of Phonometrics' U. S. Patent No. 3, 769,463 (the '463 patent). The district court granted Siemens motions for summary judgment of non-infringement and denied as moot Siemens motion for summary judgment of invalidity and its motion for attorney fees under 35 U.S.C. § 285. Phonometrics appeals from the portions of the court's order dealing with infringement and invalidity, and Siemens cross-appeals from the portion of the order dealing with attorney fees. We affirm the district court's order dealing with infringement and invalidity, and we vacate the court's order on the issue of attorney fees and remand to the district court for further proceedings on that issue.

* * *

[excerpt from page 6]

Siemens introduced evidence that the accused peripheral systems did not and could not provide cost information about calls while the calls were in progress. Siemens also introduced evidence that the accused integrated systems did not and could not respond to call-completion signals, and that instead those systems estimated the duration of calls by assuming that the called party answered when the calling party finished dialing. Phonometrics not only failed to controvert that evidence, but its own expert witness, acknowledged those relevant operational limitations of the accused devices.

Because the peripheral systems did not display call cost information while the calls were in progress, those systems did not satisfy the "call cost register means" limitation in claim 1. And because the integrated systems did not perform any functions in response to call-completion signals, those systems did not satisfy the "reset means" limitation, which requires "resetting . . . immediately upon occurrence of said call-completion signal." The accused systems therefore did not literally infringe the '463 patent. Moreover, because there was no substantial equivalent of the missing limitations in either the peripheral or the integrated systems, the accused systems did not infringe the [463 patent under the doctrine of equivalents. See, e.g., Eastman Kodak Co. v. Goodyear Tire & Rubber Co., 114 F. 3d 1547, 1560-61, 42 USPQ2d 1737, 1746-47 (fed. Cir. 1997). The district court therefore properly granted Siemens' motion for summary judgment of non-infringement.

B

Phonometrics next contends that it was improper for the district court to refer the non-infringement motions to the special master. Phonometrics asserts that infringement is a question of fact that must be submitted to a jury, so that the court's reference

of the case to a special master deprived Phonometrics of its Seventh Amendment right to a jury trial. This court has rejected this argument before, holding that "[r]eference to a master, even a compulsory reference, does not violate the 7th Amendment . . . . Masters can properly aid the court in evaluating issues of patent validity and infringement in the context of motions for summary judgment, and have often done so." Constant v. Advanced Micro-Devices, Inc., 848 F. 2d 1560, 1566, 7 USPQ2d 1057, 1060 (Fed. Cir. 1988).

Phonometrics also challenges the court's reference to the special master on the ground that the reference did not distinguish between a jury case, see Fed. R. Civ. P. 53(e)(3), and a non-jury case, see Fed. R. Civ. P. 53(e)(2). As a result, Phonometrics asserts, the special master decided the facts of the case, in contravention of Rule 53(e)(3)'s direction that "[i]n an action to be tried by a jury the master shall not be directed to report the evidence," The distinction between jury and non-jury cases in Rule 53(e) does not become relevant, however, until a plaintiff establishes that he is entitled to a jury trial. It is well -recognized that there is no right to a jury trial where there are no issues of fact to be tried by a jury. See Constant, 848 F. 2d at 1567, 7 USPQ2 at 1061. Because Phonometrics did not raise any genuine issues of material fact, it was not entitled to a jury trial. Accordingly, we reject Phonometrics' argument that the reference to the special master was improper.

* * *

[EXCERPTS OF FEDERAL CIRCUIT DECISION
OF SEPTEMBER 17, 1997 (IBM I)]

Note: Pursuant to Fed. Cir. R. 47.6 this disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

97-1028

PHONOMETRICS, INC.

Plaintiff-Appellant,

v.

INTERNATIONAL BUSINESS MACHINES,

Defendant-Appellee.

DECIDED: SEPTEMBER 17, 1997

Before MICHEL, Circuit Judge, SKELTON, Senior Circuit Judge, and CLEVENGER, Circuit Judge

CLEVENGER, Circuit Judge.

Phonometrics, Inc. appeals from the order of the District Court for the Southern District of Florida granting a Motion to Dismiss filed by International Business Machines (IBM). We vacate and remand.

* * *

[excerpt from page 4]

There is, therefore, potential liability by IBM for alleged infringement between May 1990 and October 30, 1990. Although the district court did mention as an alternative ground for dismissing Phonometrics's complaint the collateral estoppel effect of its earlier decision in Siemens, we conclude that this finding by the district court was in error. Collateral estoppel, like res judicata, is an affirmative defense that should be raised under Rule 8 (c) rather than as a defense under Rule 12. See Concordia v. Bendekovic, 693 F.2d 1073, 1075 (11th Cir. 1982) ("Res judicata, however, is not a defense under 12(b); it is an affirmative defense that should be raised under Rule 8(c).") see also Moch v. East Baton Rouge Parish Sch. Bd., 548 F.2d 594, 596 n.3 (5th Cir. 1977) ("Generally, a party cannot base a 12(b)(6) motion on res judicata. That doctrine must be pleaded as an affirmative defense."). If collateral estoppel is raised by a Rule 12 motion rather than by an answer, the defense's existence must be judged on the face of the complaint. See Concordia, 693 F.2d at 1075. We conclude that the complaint in this case cannot support a finding of collateral estoppel and that it was improper for the district court to consider its decision in Siemens without that prior proceeding having been introduced into evidence in this case.

See Concordia 693 F.2d at 1076. That is not to say, however, that application of collateral estoppel is foreclosed in this case if it is addressed in the proper procedural context. We also decline to consider IBM's allegations that the doctrine of laches bars recovery for any infringement during the period in question because the district court did not consider that defense.

[excerpt from page 5]

We have considered Phonometrics's separate counts for deceit and misrepresentation and conclude that they do not state a claim on which relief can be granted. Although we decide that the facts pled by Phonometrics cannot support claims for deceit or misrepresentation, we cannot consider whether those same facts are capable of affecting any subsequent laches defense properly brought by IBM. We therefore vacate and remand.

* * * * *

[EXCERPTS OF DECLARATION OF REICH]

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

PHONOMETRICS, INC. A Florida Corporation, Plaintiff,	CASE NO. 96-8290-CIV-RYSKAMP
v.	DECLARATION OF LAWRENCE REICH
INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York Corporation, Defendant.	

_____/

Lawrence Reich, under penalty of perjury, declares:

1. I am the only living co-inventor of the patent in suit. I made the invention with my co-inventor in 1970. I make this declaration of my own personal knowledge.

* * * * *

[excerpt of page 13]

25. I know of my own personal knowledge that ROLM systems "display cost information during a call," as shown by Exhibit 1. Footnote 1 of page 6 of the IBM motion for summary judgment is wrong as a matter of fact in stating that they do not "display cost information during a call." This material fact is genuinely in dispute.

26. I know of my own personal knowledge that ROLM systems have reset means, allowing the cost of each call to be recorded. Footnote 1 is wrong as a matter of fact in stating that they do not have reset means. This material fact is genuinely in dispute.

27. I know of my own personal knowledge that ROLM systems have transfer means to transfer the cost, determined by multiplying duration times rate, to the display. The transfer means transfers both the initial period cost and the subsequent period costs to the display. Footnote 1 is wrong as a matter of fact in stating that they do not have transfer means for the initial and subsequent time periods. This material fact is genuinely in dispute.

[excerpt of page 14]

28. I know of my own personal knowledge that ROLM systems display cost information before the call is over, as shown by Exhibit 1. Footnote 1 is wrong as a matter of fact in stating that they "do not display cost information until the call is over," since Exhibit 1 is proof to the contrary. This material fact is genuinely in dispute.

* * * * * * *

I declare under penalty of perjury that the foregoing is true and correct.

/s/ _____
Lawrence Reich

[ORDER GRANTING DEFENDANTS MOTION
FOR SUMMARY JUDGMENT
dated May 6, 1998 (IBM II)]

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
Case No. 96-8290-CIV-RYSKAMP

PHONOMETRICS, INC.,
A Florida Corporation'

Plaintiff,

vs.

INTERNATIONAL BUSINESS MACHINES, a New York Corporation,

Defendant.
_____/

FILED BY ____D.C.
MAY 6 1998
CARLOS JUENKE
CLERK U.S. DIST. CT
.S.D. OF FLA. – W.P.B.

ORDER GRANTING DEFENDANT'S MOTION FOR SUMMARY JUDGMENT

THIS CAUSE came before the Court upon defendant's Renewed Motion for Summary Judgment, filed Feb. 20, 1998. Plaintiff responded in opposition on March 9, 1998, and defendant replied. This Court considers the motion ripe for adjudication.

I. BACKGROUND

In 1984 IBM (defendant) acquired the Rolm Corporation. On September 29, 1989 IBM sold its Rolm assets to a joint venture formed by IBM and Siemens, A.G. Phonometrics (plaintiff) alleges that certain telephone equipment made by Rolm infringes on its '463 patent, and is suing IBM for the manufacture and sale of the Rolm equipment during the time IBM owned Rolm. Plaintiff filed this action for patent infringement, misrepresentation and deceit on May 3, 1996. On August 29, 1996, this Court granted defendant's Motion to Dismiss ruling that: (1) plaintiff's patent infringement claim was untimely under patent law, (2) Plaintiff's deceit and misrepresentation claims failed to state claims as a matter of law, and (3) plaintiff's claims were collaterally estopped by this Court's July 3, 1996 Order granting summary judgment in the case of *Phonometics, Inc. v. Siemens Information Systems. Inc., Rolm Systems, and Rolm Company*, case no. 93-6733-CIV-RYSKAMP (S.D. FLA.). Plaintiff's Motion, Exhibit "D". In *Siemens*, the Court had adopted the findings of a Special Master in holding that the Rolm Systems did not infringe Phonometrics' '463 patent. *Id.*, Exhibit "B". Plaintiff appealed the dismissal. The Court of Appeals for the Federal Circuit upheld the dismissal of plaintiff's deceit and misrepresentation claims. However, it vacated the order and remanded the case as to the patent infringement issue, holding, in part, that collateral estoppel is an affirmative defense which must be raised by an answer and not by a motion to dismiss. *Id.*, Exhibit "E". Notably, during this same period the Federal Circuit affirmed this Court's order granting summary judgment in the *Siemens* case. *Id.*, Exhibit "F".

Presently, IBM has answered the Complaint and asserted the affirmative defense of collateral estoppel. It renews its motion for summary judgment, and urges the Court to find that Plaintiff's Complaint us collaterally estopped by the outcome in *Siemens*.

II. LEGAL STANDARD

* * *

III. DISCUSSION

In its Order vacating and remanding this matter, the Federal Circuit concluded that this Court properly rejected Plaintiff's deceit and misrepresentation claims, holding that "they do not state a claim upon which relief can be granted." Defendant's Motion, Exhibit "E" at 4. Accordingly, this Court considers Counts II and III of plaintiff's Complaint to be dismissed per the Federal Circuit's affirmation of this Court's prior Order. Count I—patent infringement—is plainly plaintiff's only remaining claim. The Federal Circuit ruled that IBM could not be absolved from liability for infringing the patent on the fact of the Complaint, however, that plaintiff could be collaterally estopped by the *Siemens* case, if defendant asserted collateral estoppel as an affirmative defense and not as defense under Rule 12.

Collateral estoppel is an affirmative defense that should be raised under Rule 8(c) rather than as a defense under Rule 12. . . .We conclude that the complaint in this case cannot support a finding of collateral estoppel and that it was improper for the district court to consider its decision in *Siemens* without that prior procceding having been introduced into evidence in this case. That is not to say, however, that the application of collateral estoppel is foreclosed in this case if it is addressed in the proper procedural context.

Defendant's Motion, Exhibit "E" at 4 (citations omitted).

IBM has now answered the Complaint, filed February 20, 1998. Therein, it raises the affirmative defense of collateral estoppel due to the findings of this Court in *Siemens*. In the *Siemens* action, the Federal Circuit affirmed this court's entry of final summary judgment in favor of defendants on the issues of claim interpretation and non-infringement. Specifically, that ruling affirmed this Court's adoption of the Special master's findings that the same technology that is at issue in this case(encompassing the same May through October 1990 time period that is at issue in this case)—the Rolm peripheral and Integrated CMR systems—did not infringe the '463 patent. Defendant's Motion , Exhibit "F". It is these same issues that IBM premises its collateral estoppel defense in this action.

A party invoking collateral estoppel must demonstrate four elements: (1) the issue at stake must be identical to the one involved in the prior litigation; (2) the issue must have been actually litigated in the prior suit; (3) the determination of the issue in the prior litigationmust have been a critical and necessary part of the judgment in that action; and (4) the party against whom the earlier decidion is asserted must have had a full and fair opportunity to litigate the issue in the earlier proceeding. *In re McWhorter*, 887 F. 2d 1564, 1566 (11th Cir. 1989). In *Siemens*, this Court fully and thoroughly litigated the patent infringement issue upon which Count I rests, and determined that defendant's systems did not infringe plaintiff's '463 patent. This determination was an essential part to the Court's granting of final summary judgment in that action. For these reasons, it appears that Count I is collaterally estopped by the final disposition in *Siemens*.

Plaintiff argues that *Siemens* can have no preclusive effect as the decision is not final, because "Phonometrics is in the process of preparing a Petition for Certiorari to the United States Supreme Court." Response at 3. Plaintiff cites no authority for this position. It has been routinely "held in federal courts that the preclusive effect of a lower court judgment cannot be suspended simply by taking an appeal that remains undecided." *See* Wright, Miller & Cooper, Federal Practice and Procedure: Jurisdiction § 4433 (1981); *Rice v. Dep't of the Treasury*, 998 f. 2d 997,000 (Fed. Cir. 1993) ("the pendency of an appeal has no effect on the finality or binding effect of a trial court's holding").

This Court findds that plaintiff is precluded from raising the patent infringement issue that forms the basis of Count I. Accordingly, no genuine issue of material fact remains, and final summary judgment shall be entered for defendant. This Court will also grant defendant's request for attorney fees, as plaintiff has forced IBM to defend itself in this frivolous litigation that has been doomed to failure all along, especially after the Federal Circuit's ruling.

IV. CONCLUSION

THE COURT has considered the Motion and the pertinent portions of the record, and being otherwise fully advised in the premises, it is

ORDERED AND ADJUDGED that the defendant's Motion for Summary Judgment [DE 26] be, and the same is hereby **GRANTED.** Final Judgment shall be issued by separate order. IBM's request for an award of attorney's fees incurred in filing this motion is hereby **GRANTED**. Defendant shall submit an affidavit of its fees and costs incurred on this motion within fifteen (15) days of this Order.

DONE AND ORDERED in Chambers at West Palm Beach, Florida, this 6 day of May, 1998.

/s/_____
Kenneth L. Ryskamp
United States District Judge